

## Law & Technology



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# Tackling 'Friendly' Internet Trademark Infringers

There is an alternative to a 'cease and desist' approach.

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**T**HE VASTNESS of the Internet and the velocity at which infringing use of a trademark can be disseminated make it cost-prohibitive to find, yet alone police, unauthorized trademark use.<sup>1</sup> The seemingly overwhelming task of enforcing trademarks on the Web has led many trademark owners and their counsel to direct an aggressive cease-and-desist letter campaign against any party that uses a trademark on the Internet without authorization, in any way.

However, there appears to be a backlash forming among those charged with building a brand's equity in the highly fragmented Internet space. In other words, marketing and PR reps have begun to demand a different enforcement approach for unauthorized third party users (who we refer to as "Friendly Infringers") who run high-quality sites and blogs that provide positive information about a product or service, or bring together others with the same affinity for the product or service ("Friendly Site").

Their demand is that IP counsel recognize that the damage from a Friendly Site's infringing elements is often outweighed

by the benefit the site provides for brand equity and goodwill, and that a cease and desist letter directed to that site may even be more damaging than none at all.

Because the benevolent nature of a fan site does not eliminate the enforcement obligations imposed by trademark law, this article will propose an alternative to the typical "cease-and-desist" regime, which we call "License-or-Desist," that will permit a trademark owner to fulfill its enforcement obligations by engaging Friendly Infringers in a positive, productive manner that neither jeopardizes trademark rights nor alienates those who support and grow brand equity on the Internet.

Simply stated, under a "License-or-Desist" policy, a trademark owner that discovers a Friendly Infringer on the Internet should consider sending a formal but not unfriendly e-mail to the infringer offering to convert the otherwise infringing use into authorized use, under a simple, non-exclusive license, in exchange for the Friendly Infringer's agreement to be bound by the license and other terms and conditions set forth in the e-mail.

Our model, to be clear, is not based on tolerating unauthorized use, friendly or otherwise, because the consequences of failure to police unauthorized use hasn't changed just because there is an Internet. The goal is, instead, to bring the Friendly Infringer into a formal, license-based structure that cordially but definitively

imposes terms and conditions on Friendly Infringers (including allocations of liability) satisfying the obligation to enforce one's trademark rights.

An important side benefit of this approach is, of course, the ability to dedicate legal resources to the real enforcement targets, those "unfriendly" infringers whose actions harm or at the very least, trade on the goodwill of the IP owner.

If executed well, this method could, in fact, be yet another tool for brand owners and their counsel to use to increase brand equity and consumer loyalty.

### Basis in Enforcement Law

We have chosen the term "Friendly Infringer" deliberately, because the enhancement of goodwill on a Friendly Site does not automatically eliminate liability under trademark law despite the Friendly Infringer's lack of ill intentions.<sup>2</sup>

"License-or-Desist" assumes that operation of a Friendly Site qualifies as use in commerce that by its nature is infringement or unfair competition, because if it wasn't high quality to begin with, it wouldn't provide the brand enhancement that the trademark owner needs, or in all likelihood give rise to the assumption that the Friendly Infringer was authorized by or had access to materials licensed by that owner.

Courts around the country turn to the *Polaroid Corp. v. Polarad Elecs. Corp.* case

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and its progeny<sup>3</sup> for the factors to use in determining if a likelihood of confusion exists. Those *Polaroid* factors do consider the good faith of the allegedly infringing party, but it is only one factor considered, which can be outweighed by other factors such as the use of identical trademarks (which is essential for a Friendly Site), the sophistication of the relevant consumer group (not a given, as many fan sites are written by, and directed to, younger consumers), and the quality of the site in question (there are now any number of inexpensive tools available to make it easy to build a professional-looking site). Although U.S. trademark law provides for enhanced remedies<sup>4</sup> if an intention to cause damage is present, a party need not intend to cause damage in order to be found liable under that law.<sup>5</sup>

For this reason, our proposal is based on the idea that the trademark owner's decision regarding the intention of the party hosting an infringing site should lead to an evaluation of the appropriate means of policing that site, not whether or not to act in the first place. Indeed, many of the defenses that may arise in a trademark infringement suit or a trademark opposition or cancellation proceeding emanate from the non-policing of trademarks. These defenses include laches or delay in asserting rights,<sup>6</sup> acquiescence or implied consent,<sup>7</sup> and genericness.<sup>8</sup>

A trademark owner can also unintentionally leave the mark vulnerable to a collateral attack because failure to enforce its rights in a trademark can weaken the deemed strength of that mark.<sup>9</sup>

For example, multiple third-party use of one or more confusingly similar marks in association with a similar group of goods or services can give rise to the conclusion that a "crowded field" exists, which weakens the claim to exclusivity of any trademark owner within that group and provides a defense to an infringement claim brought by any member of the group against another.<sup>10</sup> Moreover, failure to police a mark can cause it to lose distinctiveness, which can support a claim of abandonment of the mark through acts of omission.<sup>11</sup>

A trademark owner can in most circumstances pursue enforcement efforts against Friendly Infringers, even if that owner does not use its trademarks in association with a site that competes with a Friendly Site.

[A] trademark owner has "rights against use on related, non-competing products" ... The extension of trademark protection to related products guards against improper restraints on

the "possible expansion of the senior user's market, including consumer confusion, tarnishment of the senior user's reputation, and unjust enrichment of the infringer."<sup>12</sup>

It is hardly a stretch to say that contemporary consumers expect every provider of goods and services to have a Web site, and easy to see how a Friendly Site could be deemed a related product notwithstanding the lack of a competing offering offered by the trademark owner.

### Why a License?

A license model for Friendly Infringers is appropriate because a licensor has both the right and a duty to control the nature and quality of goods or services offered by its licensees to ensure that all uses comply with the company's standard trademark guidelines, and that its licensees do not exceed the scope of the license granted.

In fact, the failure to exert this control can lead to the license being deemed a "bare" or "naked" license, in which case the trademark owner runs the very real risk of possible deemed abandonment or forfeiture of its trademark rights and interests.<sup>13</sup> The trademark owner must maintain adequate control over the nature and quality of the goods offered or sold under the trademark by the licensee, regardless of the number of licensees.<sup>14</sup>

Likewise, creating a license-based relationship with Friendly Infringers allows the trademark owner to impose restrictions on use that can prevent the generic use of the trademark that can lead to the loss of exclusive rights in that trademark.<sup>15</sup>

Among other factors, courts have relied upon evidence of widespread use by competitors that has not been contested by the seller. Thus, entry into an agreement with a Friendly Infringer is even more critical when the trademark owner maintains its own site that the Friendly Site competes with, even if the owner has decided that, despite the competition, it is better for brand equity to let the Friendly Site persist.<sup>16</sup> Preventing generic use is critical because once a trademark has become a generic term through public usage, it no longer qualifies as a trademark and the owner loses its exclusive rights under trademark law.<sup>17</sup>

While a comprehensive discussion of the implication of improper enforcement efforts is beyond the scope of this article, License-or-Desist can be in line with the general requirement that a trademark owner not be overzealous in its enforcement efforts or run the risk of antitrust or unfair com-

petition claims or counterclaims.<sup>18</sup> Nonetheless, the Second Circuit has observed that generally antitrust laws should not be used to penalize even aggressive trademark enforcement policies.<sup>19</sup> Accordingly, while the client cannot sit back and watch its trademark rights be infringed for fear of having its mark cheapened or abandoned, it ought to find an appropriate balance.

There are significant examples of failure to strike the correct balance, many of which have been catalogued on Web sites dedicated to monitoring the abuse of trademark law by overzealous trademark owners and their counsel. These examples range from Coca-Cola's 2000 cease-and-desist letter sent to the operators of [www.vintagecocacola.com](http://www.vintagecocacola.com),<sup>20</sup> a site that allowed fans of vintage Coca-Cola products to display photographs of their collections<sup>21</sup> to the letters sent in November 2007 by lawyers for artist Prince to a substantial number of his fan sites, including the three largest sites that each claimed tens of thousands of users every month.<sup>22</sup>

Both Coca-Cola and Prince received significant, negative press coverage of their letters but again, we are not in a position to find fault with the legal basis for either enforcement action. We are simply saying that the negative publicity from an aggressive cease-and-desist letter can be a sufficient reason to consider a License-or-Desist model.

We have deliberately structured our proposal as a license whose terms are affirmatively agreed to by a Friendly Infringer and not simply a notice to that party that the trademark owner has decided, for the time being, not to pursue remedies for the infringement on the Friendly Site.<sup>23</sup> In addition to providing evidence that the Friendly Infringer was on notice of the owner's position, it can also confirm the receipt of consideration by that infringer and provide recourse under contract law if the license is breached.

Finally, in light of the Electronic Signatures in Global and National Commerce Act, 15 U.S.C.A. §7001 et seq., a "License-or-Desist" offer can be sent to a Friendly Infringer by e-mail, and a trademark owner can rely on an e-mailed reply from the infringer accepting its terms. E-mail creates an electronic record of receipt of offer and acceptance and can be sufficiently formal and non-threatening, simultaneously, for those situations where a trademark owner does not want to have a formal letter on its lawyer's letterhead posted on the site (that should be saved for the real bad guys).

We would suggest that the License-or-Desist e-mail be sent to both the registered owner of the domain name and the party that appears to be responsible for the operation and maintenance of the site. When the e-mail is transmitted, the option that causes an electronic confirmation of receipt and reading of the e-mail to be returned to the sender should be selected.

### Ideal Contents of the E-Mail

In its basic form a License-or-Desist e-mail need not be complicated, but would ideally include the following elements:

1. an introduction that indicates that the trademark owner has discovered the Friendly Site and appreciates the enthusiasm that the Friendly Infringer has for the product or service;

2. a clear statement of the owner's position that in the absence of a license granted by that owner, the site infringes the owner's rights and entitles it to seek damages and other remedies;

3. a follow-on statement that could be drafted by someone in a marketing capacity that makes it clear that the owner of the trademarks in question has no desire to pursue legal action against those that are as dedicated as the Friendly Infringer, if that party will take a few simple steps that permit the owner to preserve its rights;

4. Finally, the owner should offer (ideally, of course, it is a demand phrased as an offer) the Friendly Infringer the option of either ceasing all use of the owner's trademarks or hitting reply and transmitting a statement acknowledging that any use of the trademarks is pursuant to a license from the trademark owner and agreeing to be bound by the terms and conditions listed in the e-mail. The trademark owner could even include the text of that statement for the convenience of the Friendly Infringer, but a lukewarm acknowledgment and agreement should be avoided.

While the specific terms and conditions will vary based on the specific circumstances (and can certainly be tailored to materials governed by copyright law or other intangible rights), they could include the following concepts:

- acknowledgment that use of the trademark is subject to a license. It is important to use specifics, i.e., explicitly state the exact intellectual property for which permission is being granted. It may be useful to create and attach a chart or diagram referencing each infringement, and the owner may want the Friendly

Infringer to acknowledge that the intellectual property is the exclusive and sole property of your client.

- a statement of the exact scope of the license (territory, time, exclusivity, transferability, assignability, etc.).

- retention of the immediate right to terminate the license with immediate effect for any reason whatsoever, including violations of the license or misuse of the trademark.

- agreement to adhere to trademark use standards and guidelines. These standards can be attached to the e-mail and if the owner so desires, any approval rights should be spelled out and acknowledged.

- no monetization. The Friendly Infringer can be asked to confirm that the Friendly Site will not be used for commercial purposes, i.e., no sale of goods. If it is part of the trademark owner's business model, it could impose a requirement that it be permitted to place a banner ad on the Friendly Site and an ad-calling tag in that site's programming code so the site can be brought into the trademark owner's Internet advertising network.

- indemnification of the trademark owner for all claims, suits, proceedings, costs, damages and judgments incurred or claimed by third parties, arising from or in connection with the Friendly Site.

This list is meant solely as a guideline, as there are certainly many different permutations possible. However, it is our strong belief that a properly executed License-or-Desist program can provide considerable protection of valuable trademark rights without alienating those who provide a very important element of brand enhancement in the Internet age.



1. For example, a recent search on the blog-indexing site [www.technorati.com](http://www.technorati.com) indicated 22,535 occurrences of the phrase "New York Yankees" and 53,739 occurrences of the phrase "Burger King" in the blogosphere alone.

2. See *Dallas Cowboys, etc. v. Pussycat Cinema Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979).

3. 287 F.2d 492, 495 (2d Cir.), cert. denied, 368 U.S. 820 (1961).

4. See Lanham Act §45, 15 U.S.C.A. 1117(a) and (b).

5. See Lanham Act §45, 15 U.S.C.A. 1114, 1125.

6. See *Fitzpatrick v. Sony-BMG Music Entertainment Inc.*, No. 07 Civ. 2933, 2007 WL 4358471 (S.D.N.Y., Dec. 12, 2007).

7. See *Toyota Jidosha Kabushiki Kaisha v. Aliments Lexus Inc.*, No. CV-02-0013, 2004 WL 1304054 (E.D.N.Y., June 14, 2004).

8. See *American Ort Inc. v. Israel*, No. 07 CV 2332, 2007 WL 2049733 (S.D.N.Y., July 17, 2007).

9. *24 Hour Fitness USA Inc. v. 24/7 Tribeca Fitness, LLC.*, 447 F.Supp.2d 266, 273 (S.D.N.Y., 2006) (internal citations omitted); See also *Dana Braun Inc. v. SML Sport Ltd.*, No. 03 Civ. 6405, 2003 WL 22832265 (S.D.N.Y., Nov. 25, 2003).

10. See *Nikon Inc. v. Ikon, Corp.*, No. 89 Civ. 6044, 1992 WL 114509 (S.D.N.Y., May 01, 1992) (internal cita-

tion omitted).

11. See Lanham Act §45, 15 U.S.C.A. §1127; see also *Rossner v. CBS Inc.*, 612 F.Supp. 334, 339 (S.D.N.Y., 1985).

12. See *De Beers LV Trademark Ltd. v. DeBeers Diamond Syndicate Inc.*, 440 F.Supp.2d 249, 273 (S.D.N.Y., 2006).

13. See *Patsy's Italian Restaurant Inc. v. Banas*, 508 F.Supp.2d 194, 212 (E.D.N.Y., 2007); *AB Electrolux v. Bermil Industries Corp.*, 481 F.Supp.2d 325, 333 (S.D.N.Y., 2007); *R.C.W., Supervisor Inc. v. Cuban Tobacco Co.*, 220 F.Supp. 453 (S.D.N.Y., 1963).

14. See, e.g., *Franchised Stores of New York Inc. v. Winter*, 394 F.2d 664 (2d Cir. 1968); *Draeger Oil Co. Inc. v. Uno-Ven Co.*, 314 F.3d 299 (7th Cir. 2002); see also *Societe Comptoir de L'Industrie Cotonniere Etablissements Boussac v. Alexander's Dep't Stores Inc.*, 299 F.2d 33, 35 (2d Cir. 1962).

15. The generic name of a product can never function as a trademark to indicate the origin of that product. *Horizon Mills Corp. v. QVC Inc.*, 161 F.Supp.2d 208, 211-12 (S.D.N.Y., 2001).

16. *Id.* at 214.

17. *Murphy Door Bed Co. v. Interior Sleep Systems Inc.*, 874 F.2d 95, 101 (2d Cir. 1989) ("Policing is of no consequence to a resolution of whether a mark is generic.")

18. See *Clorox Co. v. Sterling Winthrop Inc.*, 117 F.3d 50 (2d Cir., 1997); *Seeko Promotions, Ltd. v. Minnesota Min. & Mfg. Co.*, No. 74 Civ. 5568, 1975 WL 21137 (S.D.N.Y., Feb. 19, 1975).

19. *Clorox Co.*, 117 F.3d at 60.

20. <http://www.news.com/2100-1023-236373.html>.

21. It should be noted that Coca-Cola (and the Boston Beer Company, just a few months ago) asserted that a domain name registration that includes its trademarks was use in commerce that provided a sufficient basis for a claim of trademark infringement, a position that several U.S. Circuit Courts declined to follow. See *Bosley Medical Institute v. Kremer*, 403 F.3d 672, 679.

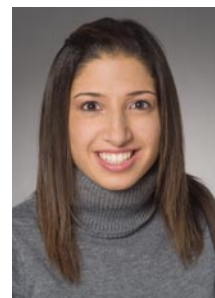
22. This led those three sites to collaborate on a new site, [www.princefansunit.com](http://www.princefansunit.com), which criticized Prince's actions and became the first page that anyone navigating to one of the three sites was shown.

23. Compare this to the clever, but nonetheless non-binding "Proceed-and-Permitted" notice sent by lawyers for the virtual world known as "Second Life" run by Linden Research Inc., who sent a notice to the owner of the parody site [www.getafirstlife.com](http://www.getafirstlife.com). <http://www.darrenbarefoot.com/archives/2007/01/my-project-du-jour-getafirstlifecom.html#comment-75509>.

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